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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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Arizona Corporation Commission

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IN THE MATTER OF THE APPLICATION OF
ARIZONA PUBLIC SERVICE COMPANY FOR
A HEARING TO DETERMINE THE FAIR
VALUE OF THE UTILITY PROPERTY OF APS
FOR RATEMAKING PURPOSES, TO FIX A
JUST AND REASONABLE RATE OF RETURN
THEREON, TO APPROVE RATE SCHEDULES
DESIGNED TO DEVELOP SUCH RETURN.

DOCKET NO. E-01345A-16-0036

IN THE MATTER OF FUEL AND PURCHASED
POWER PROCUREMENT AUDITS FOR
ARIZONA PUBLIC SERVICE COMPANY.

DOCKET NO. E-01345A-16-0123

**ARIZONA UTILITY RATEPAYER ALLIANCE
CLOSING BRIEF**

The Arizona Utility Ratepayer Alliance ("AURA"), a signatory to the Settlement Agreement filed in these dockets on March 27, 2017, urges the Commission to approve the Settlement Agreement without modification.

AURA witness Patrick Quinn testified that the negotiation process that resulted in the Settlement Agreement was fair and proper.

The Settlement Agreement is the result of numerous hours of negotiation and a willingness among the parties to compromise. The negotiations were conducted in a fair and reasonable way that allowed each party the opportunity to participate. All intervenors had an opportunity to participate in every step of the negotiation. Notice for each scheduled meeting was sent to all parties electronically. Persons were able to participate via teleconference, if necessary. All documents submitted as part of settlement negotiations were made available to all parties in the settlement discussions. All parties were allowed to express their positions fully.¹

¹ Testimony of Patrick J. Quinn in Support of Settlement Agreement, admitted as Exhibit AURA-3, at 2:9-

1 Mr. Quinn testified that a settlement process is an appropriate way to resolve this rate
2 case.

3 The Settlement Agreement is the result of numerous hours of negotiation and a
4 willingness among the parties to compromise. The negotiations were conducted in a fair
5 and reasonable way that allowed each party the opportunity to participate. All
6 intervenors had an opportunity to participate in every step of the negotiation. Notice for
7 each scheduled meeting was sent to all parties electronically. Persons were able to
8 participate via teleconference, if necessary. All documents submitted as part of
9 settlement negotiations were made available to all parties in the settlement discussions.
10 All parties were allowed to express their positions fully.²

11 AURA was very concerned with APS's original proposal to impose mandatory three-part
12 rates on its residential customers. AURA was especially satisfied that the Settlement Agreement
13 eliminated this requirement.

14 AURA defined and discussed the problems with mandatory three-part rate designs for
15 residential customers. Residential customers have traditionally been billed using a two-
16 part rate design with a flat basic service charge and usage charge based on actual monthly
17 usage. Three-part rate design adds another element: peak demand charges.

18 ...

19 For the average customer to manage their peak demand charge requires significant time
20 and money for equipment to minimize their bill. In the Settlement Agreement there is no
21 mandatory three-part rate design. Three-part rates are now one of many rate-design
22 options a residential customer can select.³

23 AURA was also quite concerned with APS's proposed large increase in residential
24 monthly service charges. The Settlement Agreement resolved these concerns.

25 APS had proposed increasing the service charge for customers using less than 600kW a
26 month from \$8 to \$18. The Settlement Agreement has reduced the basic service charge
27 for these customers to only \$10, a significant benefit.

28 Some service charges in the Agreement actually decrease from current rates. For
29 example TOU and three-part rate designs will be \$13, reduced from the current rates of
30 between \$14.50 and \$17, another significant benefit. Rates for customers using more
31 than 600 kWh were proposed to increase to \$30 from current rates of \$8. The rate is
32 now set at \$15 for customers using between 600kWh and 1000kWh and at \$20 for
33 customers above 1000 kWh.

34 All this is much better than APS's initial proposal. As in every settlement nothing is
35 quite what you wanted. However, the modest increases to basic service charge for

² *Id.* at 2:9-16.

³ *Id.* at 4:8-22.

1 customers under 600kW/month and actual reductions to service charges for TOU and
2 three-part-rate customers more than offset the larger (though lower than initially
3 proposed) increases for customers using more than 600kWh/month.⁴

4 AURA also wanted residential customers to have a variety of rate-design choices. Mr.
5 Quinn testified that the Settlement Agreement now provided “sufficient choices for residential
6 customers.”

- 7 • For customers using less than 600kWh/month, Rate R-XS remains available to
8 existing customers and for qualifying new customers until at least the next rate case.
- 9 • Existing customers using between 600kWh/month and 1000kWh/month will qualify
10 for the new Rate R-Basic rate until the next rate case. New customers may select this
11 rate until May of 2018. A new customer qualifying after May of 2018 must go on a
12 TOU or some other rate design for 90 days, but can then choose to go to R-Basic.
- 13 • There is also an R-Large rate that current customers can stay on until the next rate
14 case. New customers must choose another rate.
- 15 • Finally, there are TOU options and voluntary three-part rate options available to all
16 residential customers. There are a couple of other more specialized options also
17 available.⁵

18 Overall, the Settlement Agreement is in the public interest.

19 AURA believes that the Agreement satisfies the public interest. There are no mandatory
20 three-part charges for any residential ratepayer. The originally proposed increases in
21 most basic service charges were greatly reduced. Finally, there are now many more rate-
22 design options for residential customers.⁶

23 For all these reasons, plus those set forth in the extensive testimony by other parties, the
24 Commission should approve the Settlement Agreement without modification.

⁴ *Id.* at 5:3-17.

⁵ *Id.* at 6:3-10.

⁶ *Id.* at 6:13-16.

Respectfully submitted on May 17, 2017, by:

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